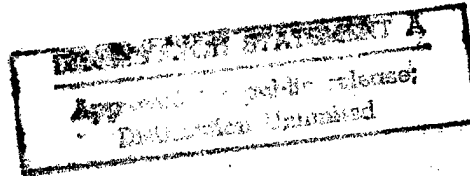


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INTERNATIONAL AFFAIRS

SYRIAN OFFICERS SAID TRACKING ISRAELI MOVES IN EUROPE

Tel Aviv MA'ARIV in Hebrew 15 Apr 82 pp 1, 11

[Article by Tamar Golan: "Hebrew-Speaking Syrian Officer is Tracking Israeli Arms Acquisitions in Europe"]

[Text] A former major in the Syrian army, a Hebrew-speaker who was supposedly among the brutal interrogators of IDF soldiers who fell into Syrian hands during the Yom Kippur War, recently arrived in Europe to work for a private, Arab firm purchasing weapons from western sources for President Hafiz al-Asad and to follow the Israeli arms acquisitions in Western Europe.

MA'ARIV received this information from trusted sources in Paris who claim that the officer's name is Nizar Shukri, and that he was born on the island of Skandrin in southern Turkey.

The firm, "T.A.G.," is owned by the wealthy magnate Akr'am Uja, Syrian-born with Saudi citizenship. The firm is registered in Geneva although its headquarters is a small palace on an elegant side street in Paris' 16th district. Around 2 years ago, Uja brought the Syrian General Assad Muhaid into his firm. This latter had acquired familiarity with missiles working for a factory in the Tadmor area of Syria.

Several names of Italian firms were also given to MA'ARIV, among them: Saña, Skusa and Irmaki which have connections with Mr Campo Sanfeiro, president of a Marchati subsidiary producing helicopters and missiles.

As far as Major Nizar Shukri goes, it appears that the essence of his job is to follow Israel's activities in the European arms markets and also to try to identify the Israeli agents planted by the "Zionist government" to follow the Syrian arms acquisitions in the West.

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SAUDI BANKER CALLS FOR IMPROVED ARAB INVESTMENT CLIMATE

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 37, Apr 82 p 42

[Interview with Muhammad 'Abdallah al-Shiba'i, of the Arab National Bank (Saudi Arabia): "Investment Activity Depends On Arab Economic Integration"; date and place of interview not specified]

[Text] Without Arab economic integration and an overall financial market, it will be difficult to have the flow of investments which some people have in mind. This is the opinion of Mr Muhammad 'Abdallah al-Shiba'i, assistant delegated member for administrative affairs and organization in the Arab National Bank (Saudi Arabia), as expressed in the following interview:

[Question] What is your opinion concerning the flow of Arab investments inside the Arab world?

[Answer] Investment activity in the Arab countries is presently affected by the following factors:

1. The existing economic system in each country.
2. Restrictions on capital and on freedom of movement of capital.
3. The economic circumstances which are being experienced by each nation, and which are linked to given political and financial considerations.
4. The Arab world is divided into two groups. One of these groups has capital surpluses, and the other one has natural resources and labor. If economic integration would take place between the two groups, then this integration would constitute a positive factor for encouraging investment.
5. Political and financial stability, and the pursuit of a fixed economic policy.
6. The negative effect of sudden changes in economic policies on investment in some Arab nations.
7. The emergence of the GCC and the positive role which it is expected to play in the realm of economic integration. This will perhaps impel some [other Arab] countries to establish a similar organization which will make it easy for them to work together with the GCC nations.

[Question] How do you see the role of Arab banks in consolidating the flow of investments between the Arab countries?

[Answer] The role of the banks in the development process is subject to the prevailing banking regulations. In particular, their role is determined on the basis of the activity of the central banks in orienting the banks which reflect the policy of the nation.

We could say that the Arab banks have not played their role as they should in view of the fact that some of the economic systems have been unable to provide the climate necessary for granting loans, consolidating investments, and providing sufficient guarantees. We note that Arab banks are growing rapidly outside the Arab world. This reflects the fact that [when outside the Arab world] they no longer have the fears which they had inside the Arab world and that [inside the Arab world] there are not sufficient legal guarantees for the investment process.

[Question] How do you assess the policy of the Arab National Bank?

[Answer] The Arab National Bank is concentrating its attention on offering sufficient services and providing them to citizens in various parts of the country [of Saudi Arabia]. At the present time it has 33 branch banks, and is planning to increase this number to 55, and this will enable it to cover all of the various regions.

[Question] As a banker, do you feel that it is necessary to establish an Arab financial market?

[Answer] Yes, it is necessary to have an Arab financial market provided that it be linked to an economic and financial policy determined by the Arab ministers of finance, provided that there are the necessary guarantees for this market's activity, and provided that it be subject to control by the Arab Economic Council. The present Arab financial markets are weak and locally-oriented, and they are not linked to a policy which is based on rational and technical principles. They are tantamount to a market for exchange, and this makes their role very limited.

[Question] Do you believe that it is necessary to make the [Saudi] riyal an international currency?

[Answer] Making the riyal an international currency is a matter to be dealt with by the Saudi government and the Saudi Arabian Monetary Agency.

[Question] Do you believe that the plan to establish Arab traveller's checks is a useful project from the financial and economic point of view?

[Answer] Yes, but before establishing projects such as these we should develop economic bonds and integration between the Arab nations, prepare a climate suitable for investments, provide freedom of movement for capital within the Arab world, and establish an Arab financial market. After doing all of this we can think about such projects.

PERSIAN GULF AFFAIRS

STEPS TO COUNTER FOREIGN LABOR IMMIGRATION EXAMINED

Kuwait AL-SIYASAH in Arabic 21 Apr 82 p 7

[Article: "Twelve Million Arabs Have Left Their Countries in Search of Better Work; Asian Workers in Arab World Have Exceeded 1 Million and Topped Local Population in Some Arab Countries; Saudi Arabia Imposes Restrictions on Collective Foreign Labor Import Permits to Preserve Its Local Interests and Pan-Arab Interests; Arab Economic and Social Council Discussed in Tunis Enhancing Manpower Exchange Between Arab Countries to Benefit From Arab, Instead of Foreign, Labor"]

[Text] Enormous numbers of foreign workers have been arriving and are still arriving daily in the Arab countries, especially the oil countries, with the purpose of working there. This inflow creates new conditions in the host countries and leads to economic, social and even security problems.

The following report discusses in detail the effects of this wave of foreign labor and sheds light on the current endeavors to organize it or to replace it by reliance on Arab manpower.

A number of top-level Arab officials are interested in an endeavor to establish controls for the inflow of foreign manpower into their countries. The efforts seek to organize this movement within the framework of the [national] interest and to curtail its ill effects which began to intensify with the increased reliance on foreign manpower in recent years.

They Cover the Earth

With the onset of the 1970's, the Arab world began to undergo a large-scale and quickening development which has covered all aspects of the economic and social activity. This led to attracting large numbers of foreign workers fleeing their countries' political, economic or social circumstances or seeking higher incomes. This labor movement proceeded in the direction of the oil countries basically and included all types of labor, beginning with laborers and craftsmen and ending with the highest levels of specialization in the various professional, technical and intellectual spheres.

Whereas the annual growth rate in the Arab labor coming into the Gulf countries has been declining, the growth rate of foreign workers coming into these countries has been rising. Foreign immigration to some Arab countries has intensified in recent years to such an extent that it reached 80-87 percent of the total incoming power at times.

The bulk of the foreign immigration to the Arab countries comes from Iran and from the Indian subcontinent--India, Pakistan and Bangladesh. Another group coming from other Asian countries--South Korea, the Philippines and Thailand--has been gaining in relative importance and influence recently. There is a minority, but an influential minority, coming from the advanced industrial countries. Numbers of workers have also been emigrating from certain Arab countries, such as Sudan, for example, to the neighboring Arab countries. There are more than 1 million immigrants who have come to Sudan from the neighboring African countries to flee political and food problems. Naturally, these immigrants add to Sudan's problems in these spheres.

The official statistics indicate that the volume of the Asian manpower coming to the Arab countries rose from nearly 425,000 workers in 1975 to nearly 1 million workers at the beginning of last year, which means that their annual growth rate amounts to 26 percent.

What helps foreign, especially Asian, immigration is the freedom given to businessmen to import the suitable labor. Businessmen enjoy the right to obtain collective work permits, in addition to individual permits. This gives them great freedom in determining the nationality of the individuals they import for work.

Source of Danger

Even though this immigration may be compatible with the interest of the work and may speed up implementation of the various projects, the benefit diminishes when viewed in light of the supreme future interests of the state and of the Arab homeland generally, both in the medium and long ranges.

The hosting Arab countries are experiencing the negative effects of the massive foreign labor flowing into them. One of these effects is the pressure exerted on the available service facilities of these countries, especially their social services (housing, health, education and others), in addition to the decline in the standard of these services.

Perhaps the most serious damage incurred by the hosting country is the change in their population and social structures, especially when the massive labor coming into the country is different from the native population in language, culture, beliefs, customs, aspirations, interests and principles.

The harm becomes more serious when the motives for honest work and for respecting the hosting country's culture, mainstays, identity and characteristics are absent. The damage also worsens when some of the workers engage in abnormal actions and negative activities that have nothing to do with the work for which they have come to the country. Some of the workers may disguise behind the mask of the declared work to engage secretly in activities detrimental to the conditions of the country whose hospitality they exploit, thus damaging this country's freedom and sovereignty.

Even though the major part of the foreign immigration is of a temporary nature, some of it may turn into permanent or settlement immigration.

Counter Measures

In confronting the currents of foreign immigration to the Arab area, a new inclination has developed recently. The growth and continuation of this inclination is likely to help in the future to realize the national interests of the host country and the pan-Arab interests.

This inclination is embodied in the restrictions imposed by some Arab countries on the granting of collective visas for foreign workers by their consulates abroad. This inclination is also represented generally by the ceaseless efforts that have been and continue to be exerted by the Arab Economic and Social Council in coordination with the Arab League General Secretariat and with the secretariat's specialized organizations. These efforts seek to enhance manpower exchange between the Arab countries to make it possible to benefit from Arab labor and immigration within the Arab homeland and to serve the common Arab development. To realize these goals, some principles have been accepted by the Arab countries. This acceptance has been reaffirmed in the agreements concluded between a number of Arab countries on manpower exchange. It has been further reaffirmed in including the principles in the recommendations of numerous conferences and symposiums held by Arab officials within and outside the framework of the Arab League.

One of these principles is the principle of granting employment priority to Arab workers in a manner compatible with the needs of the exporting and hosting parties and with the development requirements of each. This priority is given after safeguarding the work opportunities of the native country's workers and after measures to gradually replace the foreign manpower with an Arab manpower that is given equal rights and benefits insofar as facilities, guarantees and incentives are concerned.

In addition to the desire to avoid the dangers of heavy dependence on foreign labor, perhaps what encourages this inclination is the fact that the movement of Arab labor within the Arab area is no longer an isolated manifestation affecting small Arab population groups. Rather, this movement has become one of the most significant phenomena affecting the Arab man's present and future and influencing the comprehensive Arab development,

either positively or negatively. Experts have pointed out that the volume of Arab manpower moving within the Arab countries is now estimated at 3 million workers, excluding dependents and family members. If dependents are added, and it is assumed that there are 4 dependents per worker at the average, the number of those involved in migration becomes 12 million Arabs. Taking into consideration the speed of the turnover rate and assuming that the volume of the migrating labor force is constant, then this number is tripled within a single decade. This means that one-fifth of the Arab population is affected in one way or another by the Arab manpower movement within a single decade.

Egyptians and Yemenis represent more than 50 percent of the Arab labor force migrating within the Arab area. While Iraq absorbs nearly 1 million Egyptians, the Libyan Jamahiriyyah receives more than one-quarter million workers. The majority of the Yemenis go to Saudi Arabia which is now hosting more than 325,000 Yemenis. The countries receiving the largest numbers of Arab workers are Saudi Arabia, Iraq, Libya and Kuwait.

A statistical report issued by the World Bank in 1977 points out that the remittances of Arab workers from their savings in that year amounted to \$1 billion going to Egypt, \$1 billion going to the Yemen Arab Republic and \$425 million going to Jordan. The remittances represented a high percentage of the revenues of the Arab labor exporting countries and played an important role in these countries' balances of payments, in addition to meeting the needs of the families of the migrating workers. On the other hand, the remittances--as well as the migration--helped reduce the intensity of the open or disguised unemployment in a number of Arab countries.

Despite these positive aspects, negative effects have developed and have been gaining in significance, especially from the viewpoint of comprehensive Arab development.

One of these negative effects is the difference in wages in the Arab countries and the subsequent rise of wages in the labor exporting countries. This rise in wages has been accompanied by a rise in the cost of living in these countries and this is something that increases the deficits of these countries and obstructs implementation of their development projects whose costs have also risen.

These changes have encouraged in some Arab countries, Lebanon for example, the tendency toward luxury consumption patterns that may be incompatible with these countries' economic conditions.

Another negative aspect is the resulting shortage of skilled workers, technicians and other capabilities in some of the Arab countries exporting manpower at a massive scale. This shortage has resulted in weakening these countries' economic productivity, in upsetting their professional structure and in spreading in them a psychological condition which is

influencing many workers who are no longer content with their incomes and are awaiting the right opportunity to emigrate.

In light of these facts, Arab officials have become convinced that it is possible to avoid the drawbacks and to realize the interests through the common Arab efforts crowned recently by the Arab Economic and Social Council meeting which convened in Tunis from 6-8 February 1982 and in which these issues were discussed and are now waiting for implementation.

Arab and Foreign Labor Coming Into Arab Countries (Excluding Iraq) in 1975 and 1980

Country of Origin	1975		1980		Annual Increase Rate (1975-80)
	1,000 Workers	Percentage	1,000 Workers	Percentage	
Arab	1,280.6	73	1,651.3	61.4	5.8 (percent)
Asian	425.6	24.3	951.0	35.4	24.7
Pakistan	185.7	10.6	364.1	13.5	19.2
India	149.4	8.5	272.0	10.1	16.4
Iran	66.3	3.8	117.1	4.4	15.3
Turkey	9.5	0.5	30.8	1.1	44.8
Other Asian Countries	14.8	0.8	167.0	6.2	205.8
Other Countries	48.0	2.7	87.5	3.2	16.5
European and American	37.3	2.1	76.3	2.8	21.0
African and Others	10.7	0.6	11.2	0.4	1.0
Grand Total	1,754.3	100 %	7,689.8 [sic]	100 %	10.7 %

SAUDI MINISTER OF FINANCE ON BAHRAIN FOREIGN MARKET COMPETITION

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 37, Apr 82 pp 38-40

[Article by Rashid Hasan: "The Speech by Aba al-Khayl Which Aroused the Attention of Observers"]

[Text] What Were the Reasons for, and Dimensions of, the Remarks Concerning the Bahrain Foreign Market?

The Saudi Minister of Finance Explains the Banking Situation in the Gulf Area.

Loans by the Specialized Saudi Establishments [Totalled] 90 Billion Riyals Over a Period of 6 Years.

Commercial Banks Have Loaned Out 35 Billion [Riyals].

Nearby Foreign Markets Have Exerted Great Pressure on Local Markets.

We might Permit Local Banks to Arrange Deposits in Foreign Currencies Abroad for Residents [of Saudi Arabia].

We Welcome Jointly-Owned Banks If They Continue to Pursue Wise and Rational Policies.

At a meeting of bankers which was held in Dubai last February, and which included a number of Arab and foreign bankers and financiers, Shaykh Muhammad Aba al-Khayl, the Saudi minister of finance, made a speech in which he dealt with the banking situation in the Gulf area. His speech also dealt with the role played by the offshore banking units in the Bahrain market, the situation of the commercial banks in the regions, ways of developing these banks, and relations with foreign banks. (The most important paragraphs of the speech have been published along with this article.)

Mr Aba al-Khayl's speech especially aroused the attention of observers when he gave his assesment of the role of the Bahrain foreign market. Although he referred to the fact that this market, via the competition which it

presents, is playing a role in improving the performance of the banks in the area, the Saudi minister of finance also said: "The strengthening and consolidation of establishments basically designed to encourage the flow of capital to places abroad calls for great hesitation and pondering on our part." He indicated that permitting local banks in the area to arrange time deposits in foreign currencies abroad is one means of limiting the role of these foreign establishments.

A New Position?

The fact is that the feelings of Saudi Arabia and some of the other Gulf nations concerning the offshore banking units in Bahrain are well-known to us and are nothing new. However, Mr. Aba al-Khayl's words, which have been this frank perhaps for the first time, may represent an important new development in this area.

The question here is, does this development reflect a change in the official Saudi view concerning this market?

We note that, in his speech, Mr. Aba al-Khayl clearly emphasized the fact that the banks' basic role has been that of contributing toward the economic development of the Gulf nations. He was careful to show that Saudi Arabia intends to develop the role of the commercial banks "both here and abroad." He called upon the foreign banks which do not have branch banks in the nations of the area to establish "direct" correspondence relations with Saudi banks instead of depending on their representatives "in the area." All of these remarks which were heard in the speech constitute elements of the Saudi minister of finance's total philosophy.

Perhaps it is premature to further interpret these official Saudi remarks and the possibilities which they involve, in the absence of sufficient facts, but in this regard one could find a number of reasons for this Saudi caution and reserve, the most important of which are:

A Problem of Opportunities

1. The Bahrain foreign market is not restricted by any interest rate ceilings, whereas the Gulf banks generally are subject to such ceilings. This, in view of Saudi Arabia, has resulted in a type of "lack of equality" of competitive opportunities" between the two markets. One of the two markets can compete freely, but the other one is restricted. Under circumstances of the increase in international interest rates and freedom of [currency] conversion in the Gulf nations, it was only natural that the Bahrain market would occupy a competitive position which would enable it to attract Gulf deposits. In the view of Saudi officials and others, this has contributed toward creating pressure on local liquidity in the area.

2. Foreign competition for the local markets would have had less effect if it had not been for the continual rise in interest rates during the last 3 years. This is a factor which the Gulf nations probably did not expect when the offshore banking units were established in their midst.

3. There are those who nevertheless believe that the problem might not be the competition on the part of the Bahrain market, but rather the lack of flexibility of the interest rate structure in some of the Gulf nations and the fact that it has not responded to changes in the regional or international market. This has left [the Gulf nations] without strong defenses against attractive foreign alternatives and has made their monetary policies unable to utilize interest rates as a defensive weapon and as a means of absorbing outside pressure. Since the Gulf nations are still not prepared, or else do not wish, to increase the flexibility of their interest rates--for reasons which are well-known--it has become more and more necessary for them to deal with the natural competition presented by the Bahrain market and other markets by means of measures of an indirect restrictive nature. Kuwait did this when it decided to consider deposits which mature in less than 3 months to be liquid capital which banks consequently are not allowed to deposit abroad. This forced Kuwaiti banks to liquidate a great many of the positions which they held in the Bahrain foreign market.

4. So far Saudi Arabia has not taken measures of this sort. Furthermore, its banks appear to be more restricted by interest rate ceilings than are, for example, the Kuwaiti banks which have been able to overcome this problem by a number of means. This situation, in itself, especially after the measures taken by the Kuwaitis, transfers the pressure to the Saudi riyal market, and this has become the basic source of financial resources for the offshore banking units.

5. The Saudi authorities are afraid that the draining off of deposits in Saudi riyals to the Bahrain foreign market or elsewhere will contribute toward making the riyal an international currency since this, in effect, does not differ from, for example, issuing debenture bonds in riyals since deposits in Saudi riyals can also be loaned out abroad.

6. There are increasing indications that the Gulf nations have entered a recession stage as far as oil production is concerned, and consequently are receiving less oil revenues, and this will no doubt affect their monetary and financial policies. They may become stricter with regard to the flow of local resources to places abroad since there will be an urgent need to mobilize these resources in a more rational manner in order to guarantee that their efforts in development will continue.

7. Mr Aba al-Khayl has indicated the possibility of permitting Saudi banks to arrange time deposits in foreign currencies abroad for residents [of Saudi Arabia], and if this is done it will be the first measure of this type taken to compete with the Bahrain foreign market in this field. Although the immediate effect of these transfers [of capital] on local liquidity and the balance of payments will be no different, still the local banks will earn the profits from these transactions. Furthermore, the fact that these banks are subject to the control of the Central Bank will mean that the monetary authorities will retain sufficient means of applying pressure and exercising more control over the situation than they are perhaps able to do under present circumstances.

8. It should be said that the above-mentioned remarks do not deny the fact that the Gulf nations need the Bahrain foreign market and its important services. This is especially true since this market has been able to provide a number of benefits, not the least of which is the fact that it now serves as a base for numerous international jointly-owned Arab banks which are either owned by the governments of the Gulf nations or in which these governments are shareholders. These are banks which it would not have been possible to establish as local banks since, in most of these nations, no more licenses were being issued to establish new banks. Also, they might not be able to function with the same flexibility if they were local banks or if they had to operate under the restrictions which local considerations might impose on upon them. Mr Aba al-Khayl's words should be given the attention which they deserve since they constitute, at the very least, a serious appeal to steer the role of the Gulf banks--of whatever type or identity they are--toward being actually linked to the needs of the Gulf nations and the interests of all of their peoples.

The following are the most important points of the speech made by Mr Aba al-Khayl:

What Did Aba al-Khayl Say?

Mr Aba al-Khayl gave his assesment of the role which is played by the Bahrain financial market. He said that one of the useful aspects of the Bahrain market is the growing role which Arab banks have been able to play in it. "In 1975 it was believed that this market had basically been established by foreign banks seeking to attract government deposits and that its basic function was to channel this capital to other nearby foreign markets. But it is obvious and reassuring that most of the transactions in the Bahrain foreign market have taken place in the private sector. Also, most of the financing has been channeled to Arab borrowers and Arab banks have been playing an increasing role in this field."

Mr Aba al-Khayl noted that most of the Bahrain market transactions have been taking place between banks, a great many of which are in the Arab nations. Deposits in this market from Arab nations, at the end of September 1981, amounted to 68 percent of the total deposits, and loans amounted to 50 percent of the total assets.

Difficult Options

The Saudi minister of finance referred to the effect of the Bahrain foreign market on banking competition in the Gulf area, saying: "The existence of the offshore banking units has improved the performance and work of the exchange markets, and it has also improved the effectiveness of both credit and deposit transactions." He also gave an example of the challenge which the Bahrain market constitutes as far as Saudi commercial banks are concerned, especially in view of the stable exchange system, free of all restrictions, which is applied by Saudi Arabia. Because of this situation, the Saudi banking apparatus has come to be in a position of direct competition with the banks operating abroad, especially those operating in the Bahrain market.

"If our local banks are not able to compete, then borrowers will borrow from abroad and depositors will deposit their capital abroad. From the client's point of view, we find that this situation favors him because he can obtain effective and inexpensive banking services. But from the point of view of the local banks, the choice is no doubt difficult. This is because if the national banks are not able to compete and are not able to offer a large number of services such as those which are offered by the more advanced banks abroad, the growth of the banking apparatus will lag behind that of the other sectors of the economy and these banks may lose an important opportunity to be more productive and earn more profits." Obviously Mr Aba al-Khayl here is bringing up the real problem, which is that the Saudi banks are not able to compete with the Bahrain market--not because of their own shortcomings, but rather because of the regulation of the interest rate markets in the Saudi market and the fact that the banks are not permitted to go above certain interest rate ceilings. In view of the continual and chronic increase in international interest rates, how will it be possible to reconcile the activity engaged in by the local Saudi market and the activity engaged in by the Bahrain foreign market and other markets?

Pressure

This disparity in each of the two markets' business opportunities and requirements was not apt to occur without creating pressure on the Saudi market. Mr Aba al-Khayl referred to this fact when he interpreted some of the instances of a shortage in local liquidity, which have occurred from year to year, as being, in themselves, "an indication that the nearby foreign markets were putting strong pressure on the local markets."

It was at this point in particular that the Saudi official made a significant statement, when he said: "The strengthening and consolidation of establishments basically designed to encourage the flow of capital to places abroad calls for great hesitation and pondering on our part." Then he added: "Allowing local banks in the area to arrange time deposits in foreign currencies abroad is one way to limit the role of these foreign establishments." Mr Aba al-Khayl talked about the international Arab banks and jointly-owned banks which have arisen during the past decade, and pointed out that their operations have expanded very rapidly. He said that Arab banks are presently playing a great role in the field of making loans by means of these jointly-owned banks.

The Saudi minister also said: "As long as these banks conduct their transactions in a wise and rational manner, we certainly consider this to be a development which we welcome. Everything that encourages the growth of Arab banks will provide the region with more work and business opportunities, will increase our experience in the field of banking, and will make us more effectively control our capital."

Rapid Development of the Saudi Banks

He touched upon the banking situation in Saudi Arabia and quoted a series of statistics which reflect the status and rapid development of this sector of

the economy. Among other things he said that the combined budget of the Saudi banks has increased from 16.3 billion riyals in 1975 to about 108 billion riyals in 1981. This means that the volume of the banking apparatus increased six-fold from 79 to 300 during the same time period.

At the same time the specialized credit establishments, especially the Saudi Industrial Development Fund, have provided loans amounting to more than 90 billion Saudi riyals, in comparison with the approximately 35 billion Saudi riyals provided by the commercial banks. The importance of the commercial banks as a source of credit has noticeably increased. These banks have been able to expand their lending operations and have been able to keep pace with the rapid growth of [Saudi Arabia's] GNP, in spite of the existence of the competition in Bahrain. He touched upon the subject of the distribution of credit to the various sectors and said that the credit provided to the trade sector amounted to about 35 percent of the total, whereas the contracting sector received 20 or more percent. The share received by the industrial sector, relatively speaking, decreased.

Need for Equilibrium

Then Mr Muhammad Aba al-Khayl dealt with some of the phenomena which still characterize the activity of commercial banks in Saudi Arabia in particular, and in the Gulf countries generally. Of these he mentioned the following:

1. The banks generally have been concerned with their large clients at the expense of their small clients. A large number of local citizens and businessmen are still not involved in fully utilizing the local banks.
2. There is a shortage of credit provided to agriculture and consumer financing, as well as of loans provided to small and medium-size establishments. The emphasis is instead on the traditional sector. This indicates the necessity to introduce more equilibrium to the field of credit transactions.
3. Although the situation differs in the various Gulf nations, some of them are suffering from a shortage in branch banks outside their principal cities. This is an extension of the general lack of interest in agriculture and non-traditional sectors of the economy.
4. As for the Saudi scene, Mr Aba al-Khayl mentioned that, although there has been tangible progress in the "Saudiization" of the banks, a great deal still has to be done, especially in the areas of training Saudi personnel and totally transferring the administration [of the banks] to Saudi hands.

Honest Competition

Mr Aba al-Khayl summarized by giving a number of recommendations which suggest themselves in light of the present situation and the requirements of development in the future. The recommendations were:

1. The financial services sector should be expanded faster than the other sectors in the rest of the economy. This requires the formulation of medium

range strategies which have the objective of increasing the scope of these services. This would enable banks to go beyond merely playing their traditional role of being storehouses for capital and they would become also an authoritative source of advice and counsel as well as bodies which could serve as agents and tax collectors if necessary.

2. Commercial banks, which profit from the protection of the lawmakers, should shoulder their responsibilities concerning development and concerning meeting local needs, especially in the realm of [their countries'] interior and the field of housing. Also, they must demonstrate a spirit of initiative and modernization.

3. In this regard, banks should be encouraged to complete their networks of branch banks in [their countries'] interior so that they reach the areas outside the cities. They should also be encouraged to expand abroad.

4. We should study the possibility of developing financial establishments other than banks and capital markets in order to become acquainted with the feasibility of establishing other additional systems. The purpose of this is to assure that the Gulf nations keep pace with the rapid changes which are taking place in the practices of international banking apparatuses and international capital markets.

5. Concerning the activities of foreign banks in the Gulf area, Mr Aba al-Khayl expressed his hope that close cooperation would be achieved between the local banks and the foreign banks which have no branch banks in the area. He called upon them to establish close correspondence relations with the business sectors in the area instead of relying on regional representatives or visiting representatives. He was in favor of this in view of the fact that the local banks have a better and deeper understanding of the local situation than do the representatives of the foreign banks.

Mr Aba al-Khayl concluded his speech by saying: "The rapid economic growth in the Gulf area will provide a suitable environment for continual growth of the financial establishments. The important thing is that we not forget that the expansion in banking and in other financial services should take place in an atmosphere of honest competition in order to guarantee that these services be utilized in the best possible manner."

9468

CSO: 4404/456

PDPA EXPLAINS POLICY ON TRIBES, 'NATIONALITIES'

Meeting With Kunduz Tribesmen

Kabul KABUL NEW TIMES in English 15 May 82 p 1

[Speech by Dr S.M. Zeary, president of the National Fatherland Front]

[Text] Kabul, May 15 (Bakhtar)--Dr Salen Mohammad Zeary, Politburo member, PDPA CC Secretary and President of the National Fatherland Front met in his office yesterday, elders of different tribes from Kunduz province and had talks in an atmosphere of friendship and sincerity.

Dr Zeary spoke on the humane objectives of the Party and the state, on the aim of the formation of the NFF and its role in the social life of country's toilers. He said: "Today, our country is urgently in need of complete unity of different tribes and nationalities."

"With decisive and unshakeable solidarity, we can foil the intervention of imperialism headed by the US imperialism, Chinese Chauvinism and regional reaction, and can deal a crushing blow to the aggressors and their flunkies."

He added that now, it is up to the people of Afghanistan to strengthen their ranks and under the leadership of the PDPA and the revolutionary Government, endeavour for the construction of a prosperous and blossoming society and earn honours for themselves.

The Deputy Minister of Tribes and Nationalities and the president of the Kunduz provincial council of the NFF were also present at the meeting.

Some elders in their speeches, assured of their readiness to ensure peace and security in the country and promised to take part in the construction of a blossoming society.

Equality of Rights for All

Kabul KABUL NEW TIMES in English 15 May 82 p 2

[Editorial: "Towards Equality of Nationalities, Tribes"]

[Text] The glorious Saur Revolution and its new and evolutionary phase which triumphed at the actual and potential will of the working masses, paved the way

for building a new, blossoming society--a flourishing society built with the participation of all nationalities and tribes to provide better living conditions for all.

Ensuring equality of rights of the nationalities and tribes, which constitutes one of their basic rights, is among the priorities of the People's Democratic Party of Afghanistan and the practical programme of the party and revolutionary Government after the Saur Revolution and its new and evolutionary phase.

Ensuring the rights and freedoms of everyone living in this land connected with any nationality constitutes a great aspiration of the revolution. Realisation of the equality of nationalities and tribes is one of the basic goals of the revolution in the present stage.

The People's Democratic Party of Afghanistan, which has the great mission of the revolutionary leadership, is composed of the sons of toiling people and true servants of the people and has rallied them around it to serve all nationalities and tribes. These servants of the people and homeland of diverse nationalities and tribes in the country, seek not only to end all oppressions in the country, but also, representing the nationalities' struggle for genuine rights and removal of every discrimination, strive to further strengthen friendship and unity among nationalities.

Article Seven of the Fundamental Principles of the Democratic Republic of Afghanistan says, in part: "The Democratic Republic of Afghanistan will pursue a policy of equal rights, fraternal friendship and all-out development of all nationalities, tribes and clans which live in their indivisible homeland, Afghanistan, irrespective of their size and support solidarity among all nationalities, tribes and clans in their struggle to realise the objectives and aspirations of the Saur Revolution and ensure and guarantee their legal rights."

It adds: "The Democratic Republic of Afghanistan aims at eradication of inequality as far as economic, social and cultural growth of our people in all regions of the country is concerned."

The party and the revolutionary Government consider ensuring of the equality of rights of nationalities and tribes a fundamental basis for popular solidarity in the country and has taken practical steps for its realisation.

The Programme of Action of the People's Democratic Party of Afghanistan, dealing with the question of nationalities and tribes, says: "The Saur Revolution triumphed for the all-round progress of our single and common homeland and well-being, prosperity and blossoming of all nationalities, tribes and clans residing in Afghanistan. The gains of the revolution belong to all patriots regardless of the birth place and their national, clan and tribal relations."

This is the lofty aspiration of the party and the revolutionary Government which is undoubtedly a reflection of popular aspirations and shall be realised with the all-out support of the broad masses of the country.

CSO: 4600/488

VARIOUS ECONOMIC DEVELOPMENTS REPORTED

Successful Work Emulation Drive

Kabul KABUL NEW TIMES in English 12 May 82 p 2

[Text] The work emulation drive, which is one of the gains of the new and evolutionary phase of the Saur Revolution, played a major role in boosting national income and coordinating the production activities of workers during the last two years.

As a new and positive phenomenon, the work emulation drive paves the way for active participation of the young workers in the reconstruction process of the new Afghan society.

Over 50 factories and industrial enterprises with over 26,000 workers took active part in the work emulation launched on the initiative of the DRA trade unions last year. Of whom 2,500 workers have displayed praiseworthy merit and initiative. By imparting their knowledge and experiences to other workers, they have practically taken part in enhancing and promoting the skills of other workers.

Among the 50 participating factories in the work emulation contest, 19 factories succeeded in 100 per cent or over 100 per cent implementation of their

target plan. After the evaluation, the Housing Factory which produced 127 per cent over the target plan, saving more than Afs 14 million for the Government, stood first, the Government Printing Press which saved over Afs 12 million by economy in utilisation of the raw materials stood second, and the Mechanical Department third.

The profound awareness of our workers about the nature of the national and democratic Saur Revolution, particularly its new and evolutionary phase, has provided the opportunity for all toiling masses of the country to fulfil their duties with revolutionary enthusiasm and supreme confidence for the bright future of the homeland so that the aspirations of the People's Democratic Party of Afghanistan, vanguard of the working class and all toiling masses, and the tasks ahead may be fulfilled properly.

The work emulation drive as a new phenomenon in the productive activities of the toiling masses in this historical juncture is indicative of their revol-

utionary consciousness. Our working class, which was not paid its due attention in the past, and was sought to be kept away from national affairs, now realise their great mission for the homeland and the revolution. They not only reorganise and coordinate their routine work better but also by active participation in voluntary work, strive to raise national income. The work emulation drive, and initiatives in all productive activities should be further expanded and popularised, so that positive experiences can help combatant workers further boost production and fulfill their epoch-making role in the sacred task of rebuilding the Afghan society in the interest of the deprived classes.

Now our workers and farmers fully realize that consolidation of the socioeconomic pillars of the revolution is better carried out by their active participation in production and its promotion in response to the demand of the people all over the country. The role of voluntary work and the work emulation drive is significant for realisation of this end.

New Cement Plants Underway

Kabul KABUL NEW TIMES in English 13 May 82 p 3

[Text]

The Ghorī Cement Factory has produced 73,826 tons of cement during the last Afghan year. During the same period, 1,440,560 bags of cement weighing 72,028 tons were distributed to Government organisation and individuals through the sale outlets in Kabul and other provinces of the country.

This was stated by Eng Mohammad Ghulam Rahimi, Deputy Minister of Mines and Industries Ministry, during an interview with the Kabul New Times. Due to the importance of cement for development of industries and construction projects, the Government has planned to build a new cement plant in Herat and the second cement project in Ghorī is near completion, he noted.

The sale proceeds of cement in 1360 amounted to Afs 172,867,000 and some 322,160 bags of cement were sold through the Kabul sale outlets to 16,000 buyers. Similarly, hundreds of individuals as well as Government organisations have received their required cement from the same source, Eng Rahimi said.

During 1360, he added, 73,826 tons of cement was

produced at the Ghorī Cement Factory. The factory also has some 4,400 tons of cement and 32,617 tons of unprocessed cement in its warehouses.

The factory was running at half its production capacity last year due to repair works, yet its output was raised by 20 per cent compared to 1359, he noted.

The demand for cement in the factory area is less than in Kabul. So, efforts are being made to meet the increasing demand for this important construction material in Kabul. Cement is transported from the factory to Kabul with the co-operation of the Transport Ministry, Eng Rahimi said.

The cement factories in the country are running at various production capacities. For instance, the Ghorī Cement Factory produces 400 tons in 24 hours and 120,000 tons in one year and that the production capacity of Jabulseraj Cement Factory is 100 tons in 24 hours and 30,000 in one year.

Making use of the past experiences, said Eng. Rahimi, the Ghorī factory management is under instruction to transport ample amounts of cement to Kabul this year

with the help of the Transport Ministry, so that the buyers can obtain their requirements from the six sale outlets without difficulties and on a first-come-first-served basis.

The Jabulseraj factory has ceased to operate since June 1980 due to a power-cut. However, practical measures are underway to revive the factory and soon it will begin operation, according to Eng Rahimi.

The Herat factory is scheduled to be completed in the not very distant future. So far 85 to 90 per cent of its construction is complete, as is some 20 per cent of machinery installation. When completed, the factory will produce 700 tons of cement in 24 hours and 210,000 in one year.

Similarly, the second project of Ghorī, with a production capacity of 1,000 to 1,400 tons in 24 hours, located in the vicinity of the old factory, is scheduled to be completed in three to four years with the technical co-operation of the Czechoslovak Government. Right now, technical and economic feasibility studies are being carried out with the co-operation of interested organisations, Eng Rahimi said.

Soviet Tool Contracts Signed

Kabul KABUL NEW TIMES in English 17 May 82 p 1

[Text]

KABUL, Mau 17 (Bakhtar)— A contract for the delivery of tools and equipments required for the vapour chamber and refinery chamber of the third Microrayon canalisation project was signed yesterday between the Kabul municipality and the economic and trade consulate of the Soviet embassy in Kabul.

According to this contract, the tools and equipments worth 3.8 million roubles will be delivered by the Soviet Union to the municipality for the construction of the chamber to be built in the current year.

Also, a protocol on the

detailed plans of the Bebi Mehro residential area and the handing over of the blueprints and other related documents of this project was signed between the Kabul municipality and the Soviet authorities.

According to the detailed plans prepared by the Central Scientific and Research Institute of Moscow Residential Projects, residential apartments will be built over 487 hectares of land in the residential area of Bebi Mehro.

Sixty per cent of these blocs will be modern five-storey apartments, while 40 per cent will be buildings of nine to 12 storeys.

CSO: 4600/490

ECONOMIC, TECHNICAL COOPERATION WITH INDIA BEING PROMOTED

Kabul KABUL NEW TIMES in English 16 May 82 p 2

[Editorial: "Fresh Testimony to Lasting Indo-Afghan Ties"]

[Text]

The resumption of the activity of the joint commission for economic and technical cooperation between Afghanistan and India is not only a living example of the amicable relations between the peoples of the two countries, but is also an important factor towards ever-increasing development of these relations, especially economic cooperation.

The current visit of an Indian delegation to the Democratic Republic of Afghanistan to attend sessions of the joint commission on economic and technical cooperation is another important event in the history of relations between the two countries. The joint commission will explore and study the possibilities for expansion of cooperation between the two countries in the fields of small scale industries, public health and agriculture.

The activity of the joint commission on economic and technical cooperation will undoubtedly serve the interests of both countries and the fruitful outcome of the activities

of this commission will help further consolidate and deepen the relations between the peoples of Afghanistan and India.

The Government of the DRA and the people of Afghanistan have always been appreciative of the friendly and cordial ties with the people of India and spared no effort to further develop and expand these relations in all spheres of life.

Friendly relations between Afghanistan and India have deep historical roots and the historical and cultural similarities between the peoples of the two countries have played a valuable role in continuing and developing these relations. With the passage of time, the relations between the two countries have been further consolidated.

The identical views of both countries on many world issues including the joint struggle of the peoples of the two countries against imperialism and reaction and for the cause of peace and security in South and South-West Asia and the world over have brought yet closer

the peoples and Governments of Afghanistan and India. As founding members of the powerful non-aligned movement, Afghanistan and India have made a valuable contribution to the growth of the prestige of this movement.

The Afghan-Indian relations, based as they are on a joint and constant struggle towards preservation and consolidation of peace and security in the region and the world, non-interference in each other's affairs and mutual understanding, have become a powerful factor for peace.

Contrary to hostile stand taken by the DRA's eastern and western neighbours against the victorious Saur Revolution, India has invariably expressed its positive understanding towards the irreversible Saur Revolution.

The DRA's proposals of May 14, 1980, and August 24, 1981, on settling the issues around Afghanistan by peaceful means met with a positive response and understanding on the part of the friendly peo-

ple of India. For these constructive proposals are step towards ensuring peace in the region.

The endeavours of our people for repulsing and checking the undeclared war of aggression unleashed by American imperialism and Chinese hegemonism against the DRA have met with a positive response on the part of the Indian people as they themselves have often been the victim of the hostile intrigues of these devilish forces.

The atmosphere of mutual understanding between Afghanistan and India and the all-sided and durable cooperation between the two countries will no doubt contribute to development and social progress, peace and stability in the region.

While welcoming the reactivation of the joint commission for economic and technical cooperation between the two friendly countries, we look forward to the fruitful results of its work and vastly increased participation of India in the development efforts of the DRA.

BRIEFS

SAFI LEAVES FOR TRIPOLI--Kabul, May 13 (Bakhtar)--Abdul Wahab Safi, Minister of Justice and Attorney-General left for Libya yesterday, heading a DRA delegation for participation in the international conference--"to concentrate the struggle against imperialism, zionism, apartheid and reaction," which will be held on May 15 in Tripoli. [Text] [Kabul KABUL NEW TIMES in English 13 May 82 p 1]

INDIAN DELEGATION IN KABUL--Kabul, May 13 (Bakhtar)--C.R. Gharekhan and Santosh Kumar, joint secretary and deputy secretary respectively of the Afghanistan division of the Foreign Ministry of India, arrived in Kabul yesterday to hold preliminary discussions on the Afghan-India joint commission. They were welcomed at the Kabul airport by the president of the foreign economic liaison department of the State Planning Committee, the director of information and publications and the representative of the Foreign Affairs Ministry, and J.N. Dixit, ambassador of India in Kabul. [Text] [Kabul KABUL NEW TIMES in English 13 May 82 p 1]

CZECH NEWSMEN MEET LEADERS--Kabul, May 13 (Bakhtar)--A delegation from the Czechoslovak Journalists' Union, headed by Dr Nolec, first secretary of the union, met Abdul Majid Sarbiland, Deputy-Chairman of the DRA Council of Ministers and Minister of Information and Culture yesterday morning. They discussed issues of mutual interest. The Czech delegation met Jamila Palwasha, alternate member of the PDPA CC and vice-president of the publicity, extension and education commission yesterday. The delegation also met Dr Haidar Masoud, president of the DRA Journalists' Union yesterday and presented to him the memo regarding the cooperation of the Czech union with the DRA Journalists Union. The Czech journalists are here on the invitation of the DRA Journalists' Union. [Text] [Kabul KABUL NEW TIMES in English 13 May 82 p 1]

DYOA LEADER FOR USSR--Kabul, May 13 (Bakhtar)--Burhan Ghiasi, First Secretary of the DYOA CC, heading a delegation left for the Soviet Union yesterday to participate in the 19th Congress of the Soviet Komsomols. After that, Ghiasi will also participate in the 14th Congress of the Union of the Dimitrov Young Communists of Bulgaria, to be held in Sofia. He also will go to Prague for participation in the Assembly of the World Youth Democratic Federation there. [Text] [Kabul KABUL NEW TIMES in English 13 May 82 p 1]

INDIANS HERE FOR MEETING--Kabul, May 15, (Bakhtar)--Natwar Singh, secretary of the External Affairs Ministry of India and head of the Indian delegation to the Joint Commission of Afghan-India Technical and Economic Cooperation arrived in Kabul yesterday morning to attend the sessions of the commission. He was welcomed at the airport by Sakhi Daneshjo Deputy Minister of Foreign Affairs, the vice-president of the protocol department of the ministry, the president of the department of foreign economic relation of the State Planning Committee, the ambassador of India and some members of the Indian embassy. The sessions of the joint commission are soon to be held in Kabul. The secretary of the External Affairs Ministry of India, accompanied by Prof Azim, Public Health Minister, second Deputy Minister and some officials of the ministry as well as the Indian ambassador in Kabul, visited the Child Health Institute. The personnel of the institute presented information on the activities of the institute in the treatment and protection of the children against various diseases. [Text] [Kabul KABUL NEW TIMES in English 15 May 82 p 3]

KESHTMEND-PRUMOV TALKS--Kabul, May 16 (Bakhtar)--Sultan Ali Keshtmand, member of the PDPA CC Politburo and Chairman of the Council of Ministers, met Ivan Prumov, member of the Central Committee of the Communist Party of Bulgaria and President of the Bulgarian-Afghan Friendship Society, here at the head of a delegation, yesterday afternoon at the headquarters of the Council of Ministers. With the Bulgarian ambassador also present, the sides discussed issues of mutual interest in an atmosphere of friendship and sincerity. The Bulgarian guests were also received by Mahmood Baryalai, alternate member of the Politburo and Secretary of the PDPA CC, in his office yesterday morning. According to another report, Mohammad Khan Jalalar, Commerce Minister, had a meeting yesterday in his office with the delegation. Views were exchanged on issues of mutual interest during both the meetings. [Text] [Kabul KABUL NEW TIMES in English 15 May 82 p 1]

KESHIMEND-SINGH TALKS--Kabul, May 16 (Bakhtar)--Sultan Ali Hestmand, member of the Politburo of the PDPA CC and Chairman of the Council of Ministers, met at his office Natwar Singh, Secretary in the Foreign Affairs Ministry of India, here yesterday. "During this meeting, they discussed the traditional friendly relations between the two countries and held cordial talks on matters related to the reactivation of the joint Afghan-Indian commission. Singh conveyed the good wishes of Mrs Indira Gandhi, India's Prime Minister, for the health and success of Sultan Ali Keshtmand. The Deputy Foreign Affairs Minister of the DRA and the ambassador of India in Kabul were also present. [Text] [Kabul KABUL NEW TIMES in English 16 May 82 p 1]

ANAHITA HOSTS PRUMOV--Kabul, May 16 (Bakhtar)--A reception was given by Dr Anahita Ratebzad, member of the PDPA CC Politburo and President of the DRA Union of Friendship Societies with foreign countries, in honour of Ivan Prumov, member of the CC of the Communist Party of Bulgaria, and his delegation at the Intercontinental Hotel yesterday night. The President and members of the Afghan-Bulgarian Friendship Society, the Bulgarian ambassador and members of the Bulgarian embassy in Kabul also attended the reception. According to another report, to mark Afghan-Bulgarian friendship, workers and employees of the Milli Bus Enterprise held a function yesterday. Dr Mehrabuddin Paktiawal, President of the Afghan-Bulgarian Friendship Society, Prumov, and Ivan

Karapsanov, vice-president of the Bulgarian friendship society, also attended the function. The president of the trade union of the enterprise, the presidents of the Afghan-Bulgarian and Bulgarian-Afghan friendship societies and a member of party precinct 8 spoke on the fraternal friendship between Afghanistan and Bulgaria and called for the "further consolidation of the friendly ties between the two countries for the benefit of the peoples of Afghanistan and Bulgaria. At the end, the president of the Bulgarian society presented gifts to the workers, which were received by the president of the enterprise. [Text] [Kabul KABUL NEW TIMES in English 16 May 82 p 3]

IRAQI MESSAGE TO KARMAL--Kabul, May 16 (Bakhtar)--Babrak Karmal, General Secretary of the PDPA CC and President of the RC, received Abdul Qader Ezzuddin Hemadi, special representative of Saddam Hussein, President of the Republic of Iraq here yesterday. They exchanged views on matters of mutual interest in a friendly atmosphere. During this meeting, the special envoy of the Iraqi President delivered the message of Hussein to Karmal. Present at the meeting were Shah Mohammad Dost, Foreign Affairs Minister, and the charge d'affaires of the Iraqi embassy in Kabul. According to another report, the Iraqi envoy left Kabul yesterday for home. He was seen off at the Kabul international airport by Dr Yaqubi, Education Minister, the Deputy Ministers of Foreign Affairs, directors of International Relations and the United Nations Desk at the Foreign Ministry, the vice president of the protocol department of the protocol department of the ministry, Hassan Ibrahim al-Azmat, charge d'affaires of the Iraqi embassy in Kabul and other Iraqi diplomats. [Text] [Kabul KABUL NEW TIMES in English 16 May 82 p 1]

CZECHS VISIT BAKHTAR--Kabul, May 17 (Bakhtar)--The delegation of the Czech journalists union, headed by Dr Nolec, Secretary-General of the union, visited the different departments of the Bakhtar News Agency yesterday afternoon. [Text] [Kabul KABUL NEW TIMES in English 17 May 82 p 1]

SOVIETS VISIT MAHBOBA KARMAL--Kabul, May 17 (Bakhtar)--Editor of the Moscow Youth magazine and member of the Union of Writers of the Soviet Union, and members of his delegation met Mahboda Karmal, President of the Watan Nursery, yesterday. They visited its different sections and signed in its special book. The three-member delegation has recently come to Kabul at the invitation of the Union of Poets and Writers of the DRA. The delegation also met the editorial Board of Haqiqate-Sarbaz periodical here yesterday. [Text] [Kabul KABUL NEW TIMES in English 17 May 82 p 1]

CSO: 4600/489

NATIONAL PRODUCTION COUNCIL STUDY URGES INDUSTRIAL PLANNING

Cairo AL-AHRAM AL-IQTISADI in Arabic No 697, 24 May 82 p 20

[Excerpts] The National Production Council, at its last meeting under the chairmanship of Dr 'Abd-al-Qadir Hatim, general supervisor of the National Specializing Councils, discussed the report prepared by the industrial production branch on the necessity of integrated industrial planning. The report explains that the industrial public sector is distributed among numerous civilian and military quarters. The subordination of some industrial sectors has been transferred from the Industrialization Authority to other ministries, thus eliminating its jurisdiction and proliferating policies and industrial plans.

The installations of the industrial public sector are distributed over 15 ministries and authorities, each of which prepares its [own] developmental program. These developmental programs do not attain the level of preparing a national industrial program [with] distinct characteristics and defined priorities, either within the framework of the industrial public sector itself or the industrial private sector, or between the two and the other sectors of the national economy. This is due to the [limited] role of the Ministry of Planning in originating coordination and integration between the two after its limited preparation [capability].

The council recommended augmenting the legal position which gives the Industrialization Authority its responsibility in integrated planning, provided that the opinion of the authority be legally binding on all the industrial quarters, despite their different subordinations.

To achieve the development of the public sector on the basis of separating ownership and management requires supporting the planning operation of the Industrialization Authority which should have a board with representation from all industrial quarters and [those with] responsible experience.

[The council also recommended] the reorganization and development of the Industrialization Authority; benefitting from the studies prepared by the advisory teams of the various industrial sectors; and preparing an industrial map based on the results of those studies.

CSO: 4504/342

TRADE AGREEMENTS BEING NEGOTIATED WITH PAKISTAN

Minister's Meeting

Tehran KEYHAN in Persian 19 Apr 82 p 5

[Article: Engineer Gharazi, after a meeting with the Pakistan's minister of finance, announced: "The volume of trade between Iran and Pakistan will be increased'."]

[Text] Tehran--(ISLAMIC REPUBLIC NEWS AGENCY) Yesterday, the meeting between Seyyed Mohammad Qarazi, the Minister of Oil of the Islamic Republic of Iran and Ghulam Ishaq Khan, the Pakistan's minister of finance and the head of an economic mission from Pakistan for purchasing crude oil, continued.

In this meeting, Ghulam Ishaq Kahn, first expressed his delight in visiting Iran and referred to the trip of Dr Velayati, our Minister of Foreign Affairs to Pakistan at the end of last year and said, "Iran and Pakistan are very close in different aspects, including culture and the true Islamic religion, and because of this, a joint agreement was signed in Pakistan by the foreign ministers' of Iran and Pakistan in which the road of our future cooperation and mutual understanding has been paved." He added, "we are determined, through mutual understanding, to make possible profitable trade for both countries." He described the future relations between the two countries as being very bright.

After the speech of the Pakistan's minister of finance, Engineer Seyyed Mohammad Gharazi, the minister of oil of the Islamic Republic of Iran, referred to the part of the speech regarding the joint mutual agreement between the countries and said, "One thousand and four hundred years ago, a mutual agreement was formed between all the Muslims by the prophet Mohammad." He added, "I consider meeting you and getting acquainted with the Pakistani brothers, the greatest benefit of your trip." Engineer Gharazi, referring to the cooperation between the two countries said, "our brotherly relations are splendid and we recognize the two neighboring countries, Pakistan and Turkey, as our political defenders." Then Engineer Qarazi referred to the subject of oil at the meeting and said, "We are in the process of negotiating with the Pakistani brothers, the export of 10,000 barrels of oil a day, and this amount could be doubled to 20,000 barrels." The Oil Minister of Iran added, "The export of oil, tied to mutual bank credits, could easily be achieved, and we do not consider this as trade, but as relations between the two countries, and we will keep the price as low as possible."

Then the Finance Minister of Pakistan compared the price of imported oil between the years 1975-1981 and said, "the last 2 years, the price of Pakistan's imported oil has increased around 30 times, but regardless of the OPEC price increases and the financial suffering and pain resulting from the price increase, Pakistan has defended OPEC."

Engineer Gharazi, at the conclusion of these negotiations, said, "we hope that the volume of trade between the two countries exceeds the \$500 million limit rapidly." He added, "in this way, we lay the foundation of an Islamic Common Market."

These negotiations are continuing with the participation of Dr Velayati, the minister of foreign affairs of the Islamic Republic of Iran, deputies, and the experts of the ministries of foreign affairs and oil.

Oil Sales

Tehran KEYHAN in Persian 21 Apr 82 p 3

[Text] Yesterday morning, Qulam Ishaq Khan, Pakistan's Minister of Finance and the head of an economic mission visiting Iran, left Tehran for Pakistan. The head of the Pakistan economic mission, in departing, talked about the various economic agreements with Iranian officials and said, "Following the signing of the friendship agreement with Dr Velayati, the Minister of Foreign Affairs of Iran, in Islamabad, we visited Iran." The Minister of Finance of Pakistan referred to the framework of the agreement between Iran and Pakistan and said, "a short-term and long-term agreement has been signed between the two countries, which is based on mutual understanding and cooperation between Iran and Pakistan and through them Pakistan will receive oil, as well as various long-term oil services including excavation. In return for these services, Pakistan will export to Iran wheat, rice, and sugar according to the sugar agreement, all kinds of textiles, and cotton. Pakistan in the first stage will purchase around 10,000 barrels of oil per day from Iran and this amount could be expanded to 20,000 barrels per day." Based on this report, Habibollah Asghar Oladi, minister of commerce said, "According to the signed agreements, in the first stage, the volume of trade between the two countries will be about \$400 million a year, but this amount, based on the later agreements and the expansion of Iran's exports to Pakistan will reach to around \$600 million." The minister of commerce added, "in the previous agreements of the tripartite meetings of Iran, Turkey, and Pakistan, studies have been done about banking, and we have adopted a new trade system. It has been agreed that the Central Banks of the two [as published] countries start negotiations based on this system. Therefore, \$10 million as a deposit ceiling will be credited to the accounts of the two countries, and trade between the two countries will be based on the banks' accounts. In addition, every 3 months, the bank officials will study the bank credits of their country so that it does not fall below the \$10 million level." The Minister of Commerce added, "this new trade method is called reciprocal credit."

Nesireddin Mohammad, the deputy minister of oil of Pakistan, in a short talk said, "it is agreed that in the coming 2 weeks an expert mission from Iran will visit Pakistan for oil exploration and excavation and it has been approved that their wages will be paid according to international rates."

9815

CSO: 4640/267

SYRIAN ARMY SAID ENGAGED IN BUILDUP, REORGANIZATION

Tel Aviv HA'ARETZ in Hebrew 16 Apr 82 p 12

[Article by Ze'ev Shif: "Syrian Army Reorganizing"]

[Text] While the headlines are filled with news of IDF troops concentrating on the northern border and the possibility of an Israeli attack on terrorists in Lebanon, Syria is quietly preparing for the future. The Syrian papers are filled with articles on Israel's inclination toward war, but the overall impression is that they are avoiding the threatening language we've heard in the past. Syrian leaders and commentators who talk about the possibility of war with Israel often refer to the "strategic balance" which Damascus is undermining. The Syrian army needs to achieve the capability to stand up against the IDF, but it is not clear whether this means Syria's eastern front without the Egyptian army, or a broader framework. Last year, in the heat of the missile crisis, there was talk of confronting Israel with backing from additional Arab nations and with Russian aid. But recently, the impression has been created that those who refer to a "strategic balance" have gained confidence and are talking about the Syrian army approaching a situation where it would be able to confront the IDF alone. This does not mean that the intent is to attack Israel alone, but rather to have the capability to confront the IDF alone, when Israel attacks Syria. This is a change that cannot be ignored, and the question is whether it is well-founded or built on exaggerated self-confidence and a propagandist approach.

Manpower Reserves

It appears that this self-confidence stems not only from the abundance of arms flowing into Syria and filling its warehouses, well beyond immediate requirements, but also from the fast pace of reorganization in the Syrian army. The armies on the eastern front, currently undergoing reorganization, are not actually a united force but individually organized and coordinated. The Iraqi army reorganized due to the war, but is now attempting to implement a grandiose large-scale plan. The Jordanian army is in the throes of reorganization and has already completed the first step of its plan. When fully completed, the Jordanians will have an impressive force to pit against us, not unlike the IDF in many respects but with superior armament in several areas. The reorganization of these

armies deserves separate attention. This article will focus on what is happening in the Syrian army, the first on the eastern front to actually complete at least the major phases of its organizational plan. It is possible to draw inferences from the modern weaponry they have acquired, from the organization of the army and fighting formations, as well as from the type of exercises being performed by the Syrian army.

There is no point in bogging the reader down with technical details, the number of tanks, planes or other weapons. The emphasis will be on major trends characterizing the Syrian organizational plan. One major trend is the armament and mechanization of the entire Syrian army and the increased strength of all its anti-tank units. No infantry divisions remain in the Syrian army today. With the completion of reorganization, the Syrian army today is comprised of four armored divisions and two mechanized divisions. The remainder is organized into independent armored units and commando groups which are further organized into regiments. Around 2 years ago, the united force, headed by Rif'at Asad (the president's brother) was turned into an armored division. The last division to be reorganized was that which was in Lebanon, the 5th division (in Lebanon today there are independent units which total only a division in size). What stands out is the acquisition of modern T-72 tanks. According to one report, the Syrians received no less than 1,000 of these tanks. From this we can conclude that they will have enough to arm the independent units and return old tanks to storehouses, reserve units or Palestinian forces.

Another important trend in the reorganization is the unusual increase in the number of commando groups and paratroopers. According to one source, there are already more than 30 Syrian commando units. They are organized such that four equal a regiment and each regiment has an auxiliary unit. A seasoned commander, General Ali Haydar, was appointed head of the commando forces. The united forces serve as an important tool to protect the regime and could also be moved quickly to any region where tension or conflict flares up. They could also be effectively deployed in Lebanon. Israel should recognize this strategy, like the placement of forces along the front or isolation of the battlefield, as a dangerous trend. In this regard, one should remember the massive acquisition of helicopters, both to transport storm troops and to allow for the transport of several commando units simultaneously, and modern attack helicopters like the MiG-25's which can carry cannons and missiles.

Another important trend in the reorganization of the Syrian army is the appearance of reserve forces in the military system. In various Arab armies the need for reserve forces has been discussed, but little has actually been done to organize such forces. The Syrians, however, have taken a big step in this area as part of their reorganization plan.

In the past, the Syrians recruited reservists for civil defense and local security functions, or as a manpower reserve to replace those from existing units who had fallen in battle.

The Biggest Airforce

The scope of the reorganization cannot be gauged without referring to the Syrian airforce. It is today the largest Arab airforce and has already surpassed in scope and number of pilots the Egyptian airforce. The number of planes has been estimated at around 600, among them MiG 25's.

Another impressive step was made in the area of air defense. The Syrians have around 100 batteries of surface-to-air missiles of various types at their disposal today, three times or more the number available during the Yom Kippur War. Even the type of missiles they now have is more modern and advanced, among them the SA-8 missile which has a more compact system and is therefore less vulnerable than the SA-6. It may be said that the Syrians have already succeeded to protect their entire country with a surface-to-air missile defense system, including outlying areas in the north and east. This provides backup to the airforce when facing the strong Israeli airforce. And further, in their search for weapons to deter Israel from using its airforce against targets deep within Syrian territory, the Syrians have also added surface-to-surface missiles, including Scud missiles, to their arsenal. With the help of these missiles they are capable of covering a significant portion of Israel's territory.

It should also be remembered that Syria conducts intensive exercises. Those being conducted this year are characterized by an emphasis on attack. More and more is heard about assault exercises in large formations, up to divisions. It is difficult to determine the level of these exercises, but the change and the advancement can be felt. The question of course is whether there has been a change in the quality of the Syrian soldiers and officers. It is clear that an overwhelming proportion, over 60 percent, of the soldiers are uneducated or educated at lower levels. The result is that they are discriminated against from the start and not eligible for advancement while at their side a group of educated soldiers is being developed from which the officers are chosen. This discriminatory trend is more acutely felt in the preference given to the Alawite minority (even to Druze and Christians) over the Suni majority. This discrimination exists mainly at the officers' level and despite the number of high-ranking officers of Suni descent, it is clear that the Suni group is denied opportunity. This is a serious factor in the Syrian army. However, when it comes down to a conflict with Israel, it is doubtful that this would influence the willingness of Syrian soldiers and officers to fight.

Self-Confidence

Reorganization has undoubtedly advanced the Syrian army and given self-confidence to its commanders and general staff. The question from our point of view is: will the Syrians dare to initiate a conflict with Israel, and will the political echelons (should read: Asad) be ready to take the responsibility for this military risk? There are a few contradictory trends at work here. On the one hand Syria is more isolated today than ever before from the Arab world. This will make it exceedingly

difficult to receive Arab military aid for aggressive action. Not only has Egypt negotiated peace with Israel, but Damascus has been threatening Jordan and even assembled troops against its neighbor to the south. Syria is suspicious of Jordan because this latter is one of the supporters of the Muslim Brotherhood. The split with Iraq has also deepened recently and of no less importance is the fact that Iraq has become involved in the war in the Persian Gulf and its latest developments. Despite the schism with Iraq, in a war with Israel, Damascus feels that Iraq's hatred of Israel would surpass its animosity toward Syria and that the Iraqis would send reinforcements to the front against us. But the war in the Gulf eliminates the possibility of sending large forces in the event of war with Israel. Volunteers from other Arab nations, such as South Yemen, which have been mentioned of late, would not constitute an adequate alternative. Even declarations of solidarity with the Muslim Brotherhood raise the question of whether it is worthwhile to expose too much by turning the entire army against Israel.

But there also exists a trend in the opposite direction, based on enormous military expansion. The Syrians are undoubtedly aware of their relative weakness against Israel were they to stand alone. However, their strength is increasing and cannot be treated lightly. It is precisely because of their isolation in the Arab world that Asad may run the risk of challenging Israel, under the assumption that by so doing he will achieve political gains. While last year, during the missile crisis, he refrained from opening fire as a provocation, it is possible that in the future he will not restrain from so doing. This is not to say that the Syrian army feels strong enough to attack Israel, but we must consider that the Syrians now feel militarily confident enough to pursue, for example, military operations in Lebanon, like the attack of the Christians, without fearing us, even if the incidents should spread to the Golan Heights.

9811

CSO: 4423/152

HERUT HAWKS STRUGGLE OVER SUCCESSION

Tel Aviv HA'ARETZ in Hebrew 16 Apr 82 p 12

[Article by Amnon Barzilai: "The Battle of the Hawks Over Succession"]

[Text] The struggle over Menahem Begin's successor began in the Diplomat Hotel in Jerusalem. This is the explanation given by members of the Herut movement regarding the battle of the hawks which took place during the convention of Herut youth on Monday. Four contenders for party leadership appeared before the group. With the exception of Yoram 'Aridor, the last speaker, the three others--Yitzhak Shamir, Ari'el Sharon and David Levi--shocked the audience with hawkish, aggressive speeches relating to Egypt and the terrorists in southern Lebanon. The blatant hawkishness of the three, even Sharon, was so apparent that it left no room for doubt: the three opened with a strong push for the Herut "right."

They had good reason to believe that the youth convention would be open to their goals, this due to the more hawkish trends which prevail among the Herut youth, whose number is growing within all of the movement's institutions. The timing of the gathering, 2 weeks prior to the withdrawal from the Sinai and around 2 months prior to the general membership assembly, was another factor considered. This was tied in with the increasingly strong opinion that it makes no difference when Menahem Begin, leader of the movement and prime minister, will step down. Despite his strength, Begin cannot dictate a successor unless the new leader is accepted by a majority in the party.

The Trio Versus Sharon

Among active Herut members there is some agreement that Minister of Foreign Affairs Yitzhak Shamir will succeed Begin at least for a transitional period. Two of the most influential leaders in Herut today are backing Shamir: Yoram 'Aridor and David Levi. Shamir is their rival for leadership in Herut, but another dangerous contender, none other than Sharon, stands against them all. He is dangerous for two major reasons: despite a loss of recruits within the movement from those who joined only 5 years ago, the Sharon phenomenon has enticed members at the party's center. Secondly, the increased hawkish trends among Herut party activists are becoming stronger and the Shamir-'Aridor-Levi trio fears that the organizational power in their hands is not sufficient to overpower Sharon.

There is an integral connection between the increasingly hawkish platforms within the Herut movement and the youth convention, although the high notes of the convention that met at the Diplomat Hotel were limited: the only two incidents worthy of note, excluding the aggressive speeches of Shamir, Sharon and Levi, were the outbursts and blows exchanged in the process; and the initiative taken by several young anonymous members who managed to get three-quarters of the convention delegates to sign a statement calling for the prime minister to stop the withdrawal from Sinai. Physical violence and sharp nationalistic sentiments were the overwhelming characteristics of the meeting.

These disclosures from the Diplomat Hotel have stimulated great interest due to the unusual influence which the young members wield in Herut. This influence has no parallel in other parties in Israel. Riding on this "youth wave," three activists--Roni Milo, Micha Raiser and Michael Kleiner--got into the Knesset. Three additional young members gained political power in the movement based on impressive local political activity--Moshe Katzav, Me'ir Shetrit and David Megen. All six are in their thirties. The Likud has three other young members in the Knesset: Ehud Ulmart, Dror Zeigerman and Eli Kolas. The relative proportion of young people on the Likud's Knesset list is even impressive in relation to other parties, especially the Labor Party which does not even have a single member on its list below the age of 40. The social and political interpretation might be that the Likud, and the Herut movement as the dominant party within it, is the only voice for young people in Israel up to age 40. The image is further supported by the arcane political structure of the Labor Party and its lack of internal democracy, factors which neutralize the youth vote or leaves them out.

The Secret of Begin's Power

There is no direct tie between the opinions being voiced by the young Knesset members and the mass of young Herut partisans. To the contrary, the young Herut members as a whole are considerably more hawkish than those who were actually elected to the Knesset. This is also the problem disturbing activists in the Herut party center today. On national questions, even in the party center which consists of 1,000 members, at least one-third of whom are young, a more radical wind is blowing than in the Knesset contingent. These undercurrents were squelched by Menahem Begin. His control over the party center was absolute both by virtue of his personality and his position as prime minister. Although today he expounds more moderate views than those prevailing at the party center, Begin gets everything he wants and no one will question his decisions. That is the special power of Begin. Minister of Foreign Affairs Yitzhak Shamir has neither the authority nor the special power of Menahem Begin. David Levi and Yoram 'Aridor may have good reason to worry, because even their joint support of Shamir may not suffice to overpower Sharon.

9811

CSO: 4423/152

'TRYBUNA LUDU' COMMENTARY ON SINAI OCCUPATION COSTS

Warsaw TRYBUNA LUDU in Polish 11 May 82 p 6

[Article by Zygmunt Somkowski]

[Text] (From our Correspondent in Beirut) More than a billion dollars a year--that is what it cost Israel to occupy the Egyptian Sinai Peninsula for 15 years. According to figures given by Yoram Aridor, minister of finances, for that period Tel Aviv spent about 17 billion dollars on military installations, economic investments and for the establishment of Israeli settlements.

The largest part of these expenditures was devoted to the construction of military strongholds on the Suez Canal--the so-called Bar Lev line, which was broken and destroyed in the 1973 October war--and to the construction of modern air bases.

The smallest amount was spent on Israeli settlements. The coastal city of Yamit, inclusive of the neighboring small colonies, cost only 115 million dollars, while Ofira, in the south, near Sharm el-Sheik cost 43 million dollars.

Investment in oil exploration was 2.5 billion dollars. This is the only amount which has not been wasted, as it paid for itself and produced surplus earnings in the exploitation of petroleum.

Military establishments have been either abandoned, destroyed or only partly transferred to the new bases that have been erected in the Negev desert. This, however, does not involve any cost to Israel, as these expenditures were assumed by the United States. It is estimated that the cost to the American taxpayer will be about three billion dollars.

Egypt has already begun to benefit from the oil fields developed by Israeli occupation forces. For over 10 years Israel had exploited these resources. Airports were also given over to Egyptian control, although Cairo is only entitled to use them for civilian purposes. Egyptian administration will draw no benefits from the vacated Israeli settlements. The Israeli government decided to return that area to the state in which they found it and ordered destruction and levelling of all the buildings.

The Israeli government has incurred considerable additional costs due to the necessity of compensation payments to the settlers who had to abandon these settlements.

Many a country would have gone bankrupt as a result of such unproductive expenditures. Bankruptcy does not threaten Israel. Funds for these expenditures came from the outside as the United States aid, as aid from certain other Western states and as donations from foreign Zionist organizations.

As a result it is not Israel but the citizens of other countries who pay the cost of Tel Aviv expansionism. This is one of the reasons why Israel is able to continue such policies.

9934

CSO: 2600/618

PHALANGE SAID TO COLLABORATE WITH MOSAD

Beirut FALASTIN AL-THAWRAH in Arabic No 422, 10 May 82 p 35

[Article: "Mosad Entertained by the Phalange. Coordination on Sabotage, Assassination Operations"]

[Text] Early last week information was leaked to a security service to the effect that a terrorist group attached to the Israeli intelligence service "Mosad," consisting of three men and one woman and carrying forged French passports, entered Lebanon the beginning of last April to carry out a mission in the western section of Beirut, the assassination of prominent Palestinian leaders.

The "Lebanese News Agency" reported that other groups arrived before and after this date and were centered in the eastern section of Beirut. One portion of these groups was staying in the Alexander Hotel in al-Ashrafiyah.

Before this, Interpol had informed Lebanese security of the entrance of criminal elements into Lebanon to assassinate Palestinian leaders. It was learned from another source that security at Beirut airport was supplied with a number of names, the first names being Caroline, Pierre, Elie and Jean.

The question remains whether these names are legitimaes or are meant to pre-occupy the security apparatus so people with other names can pass through.

On another matter, the "Lebanese News Agency" reported that Bashir al-Jumayyil received a number of Israeli officers who arrived at the port of Juniyah accompanied by an officer from one of Sa'd Haddad's border enclave militias. They held a meeting at the "Yacht" club where they coordinated a number of joint operations against the Palestinian Resistance.

Well-informed sources say that these officers were weapons and munitions experts who came at the invitation of Bashir al-Jumayyil for coordination and training on certain types of Spanish weapons which the Lebanese Forces received recently.

This operation reminds us of the activities of As'ad Shaftari, an official of the security section of the Phalange Military Council who went to Israel prior to last 25 April at the invitation of Mosad, who asked him to supply them with recent intelligence on the preparations and concentrations of the joint forces and Palestinian bases in the Lebanese coastal region. They also asked him to supply them with intelligence on modern weapons which the Palestinian resistance has actually received.

They relied on this intelligence during the most recent Israeli air strike.

CSO: 4404/489

CURRENCY PROBLEMS DISCUSSED

Paris AL-NAHAR AL-'ARABI WA AL-DUWALI in Arabic No 254, 15-21 Mar 82
pp 38-39

[Article by Michel Murqus: "The Lebanese Pound Is a Stranger in Its Own Country"]

[Text] Its Value Is Down, Its Existence Is Rare, and
the Interest Paid On It Is Going Up.

The Rise in Interest Rates on the Dollar Has Opened Up
the Bierut Market to Foreign Currencies.

The banks are searching for Lebanese pounds. Inter-bank interest rates have gone up to 19 percent, and 22 percent has been offered for demand loans. After people stopped making deposits in Lebanese currency, demand increased [for Lebanese pounds]. The interest rate on such deposits went up to 16 percent, whereas the interest rate on the dollar was 14 percent.

This situation began ever since the rate of the U.S. dollar began to go up during the middle of last month, reaching the point where it was worth 5 Lebanese pounds. This increase occurred quickly after measures that were taken by the U.S. Federal Reserve Board. Some banks in the U.S. raised their prime interest rate to as much as 20 percent. The central banks of the world then faced difficulties in maintaining their local currencies at a reasonable level because they were faced with the constant [rise in] the rates of the dollar. Local people generally believed that the dollar would reach the point of being worth from 500 to 510 piasters. In spite of the fact that the dollar came to the point of being worth 490 piasters, local demand for dollars increased. This forced the Bank of Lebanon to intervene a number of times and sell sums of U.S. currency--without, however, achieving the desired result.

The interest rate on the dollar was going up and down from one day to the next. Since last 20 February it has been going down after President Reagan's statements that a rise in the interest rate would be harmful to national production and would not lead to a sound economic situation. However, the decrease in the interest rate brought out the tendency of the money supply in the U.S. to increase after the decrease in the money supply which we had seen in mid-February. It should be mentioned here that the U.S. money supply decreased after the interest rate on the dollar was raised in order to curb inflation.

At the same time, the nations of Western Europe pursued the policy of easing credit restrictions. British banks lowered their basic interest rate. The French banking system had already done this, in an attempt to get [France's] wheels of production going. The European Monetary System Group in Burssels decided to lower the exchange rate used for the Belgian franc and the Danish krone. This was accompanied by rumors concerning the possibility that the exchange rate of the French franc and the Italian lira would decrease. Some capital was then converted into dollars, in order to avert the danger of losses.

In the Beirut market demand for the acquisition of U.S. currency increased. This impelled the Bank of Lebanon to intensify its control over the market by no longer being lenient concerning uses of some deposits or legal reserves. But this direct and indirect intervention by means of selling dollars proved to be of no use because foreign factors influencing the rise of the dollar were stronger than any restraints utilized in an open market such as the Lebanese market.

Two Circulars

In order to put teeth in these restraints, on 26 February the Bank of Lebanon issued two circulars--Circular Number 322 and Circular 323. According to Circular Number 322 the interest rate on transactions of purchasing foreign bonds under the trust deed system was raised from 13.5 percent to 15.5 percent. [The interest rate on] loans specified in Paragraph 1 of Article 102 of the Currency and Credit Code was raised from 13.5 percent to 16 percent. [And the interest rate] on emergency loans, according to Paragraph 3 of Article 102, was raised from 14 to 17 percent.

Circular Number 323 set a penalty interest rate of 19 percent on any decline in the amount of [a bank's actual reserves below the level of its legal reserves.

These two circulars began to be in effect during the beginning of March of this year. This caused the banks to be disconcerted and cautious, and they resorted to asking the Bank of Lebanon for loans at high interest rates.

What is it that caused the Lebanese pound to be scarce in the Beirut market?

Since 1975 the Lebanese pound has been facing a series of difficulties. In addition to this, there have been breakdowns in law and order which have been puzzling and no one has known what they would lead to. The Lebanese people's confidence in the Lebanese pound has been shaken, for the following reasons:

1. The Lebanese pound has lost value in comparison to the dollar and other foreign currencies. This decrease in value totalled about 56.3 percent by the end of 1980 as compared with what it had been in June of 1958. Last year the value had gone down 26 percent in relation to the dollar.

2. The breakdowns in law and order caused a halt in investments in the national economy because there could be no guaranteed results from these investments in the future.

The result of this situation was the trend toward investing Lebanese pounds in a way that would provide guaranteed and quick profits. This involved speculation on the dollar and other foreign currencies and investing in real estate. The value of these "two commodities" went up simultaneously. Banks were encouraging these transactions by granting their resident customers loans in Lebanese pounds in exchange for dollar deposits or real estate mortgages.

The increase in this type of loan rose quickly. The increase amounted to about 40 percent annually during the first quarter of 1979. The Bank of Lebanon then withdrew its decision to suspend application of the measure concerning legal reserves which it had taken in 1977. On 24 February 1979 the Bank of Lebanon issued a series of circulars which imposed, as of the end of March, a 5 percent legal reserve requirement for deposits in Lebanese pounds. This was raised to 10 percent on 10 May 1979. Then 1 percent was added monthly, from July till November, till the legal reserve requirement for deposits in Lebanese pounds reached 15 percent, and it was more than 5 percent for 2-year deposits.

Then the Bank of Lebanon allowed acceptance of half of these reserves, that is, 7.5 percent of the deposits in Lebanese currency, in the form of treasury bonds, in an attempt to encourage the purchase of these bonds and to provide some interest [money] to the banks since the legal reserves involve no interest payments.

The Bank of Lebanon, after making modifications concerning the percentage of legal reserves, made modifications in the rediscount rate and took steps to limit speculation on the Lebanese pound and expansion of credit. Loans in Lebanese currency were also made subject to a 40 percent legal reserve requirement. Banks were forbidden to maintain creditor discount centers, and debtor discount centers had to stay within the limits of the banks' capital. It was made a requirement that bank loans to non-residents be within overall limits so that the loans would not exceed the banks' recorded capital.

The percentage in annual increase of loans to the private sector in Lebanese pounds was set at 20 percent, and then at 25 percent. The industrial and tourism sectors were allowed an additional 5 percent of credit. As a result of these measures, there was a decrease in the rate of growth of credit. It stayed below 30 percent, and last year ceilings were eliminated.

Percentage of Deposits Between 1975 and 1980

Because of these measures and restrictions on deposits and loans in Lebanese pounds, and in view of the rise in the interest rate on dollar deposits, there was naturally a greater increase in deposits in foreign

currencies than there was in deposits in Lebanese pounds. Between 1975 and 1980, respectively, the percentage of deposits in foreign currencies, as compared with total deposits, was as follows: 31.6 percent, 29 percent, 27.8 percent, 35.2 percent, and 39.6 percent. Last August this percentage went up to 45.8 percent, and it is expected that the percentage by the end of last year had reached nearly 50 percent.

These deposits amounted to 15.9 billion Lebanese pounds. (We are taking into consideration, when assessing these deposits at current prices, the decrease in the price of the Lebanese pound which is promoting the development of their growth.)

Claims against non-resident persons and establishments went up from 36 percent to about 40 percent of the total bank assets.

While loans in Lebanese pounds to the private sector experienced an annual increase of 9.5 percent during 1980, loans in foreign currencies to the private sector, during the same period, underwent an annual increase of 100 percent. A small part of this is attributable to the increase in discount rates in the local market. These developments led to a tangible change in the structure of loans to the private sector. Whereas during the period 1977-79 loans in Lebanese pounds totalled between 8 and 9 times as much as loans in foreign currencies, by the end of 1980 this figure went down to 5.5 times [the total in loans in foreign currencies]. Since loans in foreign currencies to the private sector do not provide borrowers with income in foreign currencies, in case they are converted and utilized locally, their repayment creates a great demand for Lebanese pounds. These loans totalled about 3 billion Lebanese pounds.

The fact that half the banking apparatus's deposits are in foreign currencies means that these sums of money are available outside the Lebanese market, that they will be invested abroad, and that the market will be lacking in Lebanese pounds. This is what actually happened and it made for more speculation with foreign currencies. This resulted in rising interest rates, and the effects will be the following:

1. The increase in interest rates on deposits, and consequently on loans, up to as much as 20 percent (Wednesday, 2 March [1982]), will paralyze the sectors of the economy and make them unable to obtain credit. If they are forced to borrow, then they will compensate for this by increasing the prices of their goods and products. This will increase the rate of inflation, and will harm their ability to compete in foreign markets.
2. The increase in interest rate on the Lebanese pound, at a time when the Western European nations are attempting to decrease the interest rates on their currencies in order to promote the growth [of their economies], is occurring simultaneously with the decrease in the Lebanese pound's purchasing power. This does not mean that there has been an improvement in its purchasing power of in its price vis-a-vis foreign currencies. What the U.S. dollar gained due to the increase in the interest rate on it, it did not lose after its interest rate decreased to a level lower than it was before the rise in its price.

3. Deposits in foreign currencies are at high interest rates. This makes banks' investments in foreign currencies subject to great losses. Either they have to bear the losses or they have to have their creditors bear the losses, and the prices of imported goods remain high.

4. Waiting for conversion of part of the deposits which are in foreign currencies, and offering them at reduced prices, might have an effect on assets in foreign currencies at a time when the price of gold has decreased and this might increase the interest rate on the Lebanese pound--since the interest rate goes up whenever there is an increase in demand for it.

5. Rising lenders' and borrowers' interest rates increases the percentage of revenue on investments and has an effect on public projects. This also puts the brakes on social projects, especially housing projects, which up till now have been receiving loans at low interest rates but cannot continue to do so.

And finally, the interest rate on treasury bonds has gone up, and this increases the state's financial burdens.

How, then, can equilibrium be restored to the Lebanese pound?!

9468

CSO: 4404/380

ECONOMY, INTERNATIONAL FINANCIAL INFLUENCE GROWING

Kuwait AL-RA'Y AL-'AMM in Arabic 3 May 82 p 9

[Article by Ulfat Farid: "Prior To His Departure For Khartum the Saudi Minister Of Finance Tells AL-RA'Y AL-'AMM: "Increased Arab Economic Participation In International Development Organizations Is a Factor For International Economic Stability""]

[Text] Total deposits in local Saudi banks amount to 70 billion riyals.

During his visit to Kuwait the Saudi minister of finance, Shaykh Muhammad Aba al-Khayl, answered many of the questions that have been on the minds of citizens of the Gulf states and Saudi Arabia. AL-RA'Y AL-'AMM talked with him about the Saudi economy and the great strides it has made, general world economic developments, Arab participation in development organizations, the [Saudi] Arab kingdom's plans for food security, and its support for the Saudi private sector so that together with the state it will be able to implement development projects in the kingdom.

Minister Aba al-Khayl emphasized that the decrease in Saudi oil production would not affect the government's expenditures because its fiscal policies have been devised prudently and this situation had been taken into account beforehand.

He added that Saudi Arabia's new budget was larger than the previous one, and he pointed out that a large portion of the government's expenditures were being channeled towards development of the non-petroleum sectors, such as agriculture and manufacturing, particularly in supporting Saudi-owned and national industries. He added that the economic and financial sector in the kingdom has been able to gain complete control over inflation thanks to the guidance of government expenditures which have been focused on economically useful production projects. Moreover, expansion of the national economic base has helped to ease inflation which in local non-petroleum amounted to between 5 and 6 percent compared with 7.8 percent at the end of 1400 [Hijrah] to 1401.

Shaykh Aba al-Khayl added, "Per capita income in the kingdom rose to 50,000 Saudi riyals a year. The Saudi-owned manufacturing sector has undergone continuous growth while not deviating from the government's anti-inflation

policy. It has participated in cooperative production, and achieved a growth rate of 13 percent last year."

He added, "Certainly the Saudi GNP, which forms 17 percent of total world production, requires improvement. The kingdom's policy is directed towards devising a plan for developing petroleum industrialization because of the impact of Saudi oil on the world economy. Therefore Saudi Arabia has a reasonable and moderate policy, and always takes the interests of both the producers and the consumers, particularly the developing nations, into consideration. In its leadership role the kingdom helps to support the world economy by offering assistance and direct or indirect loans for economic development projects in all parts of the world. It is also promoting construction and industrialization within the kingdom, particularly with respect to petroleum products, lubricating oils, petrochemicals and gas to meet local and world requirements. To do this requires building new refineries and enlarging the corps of Saudi management personnel to serve the Saudi economy and raise development rates."

Saudi Arabia Has a Major Role In the World Economy

In response to a question on the role of Gulf and Saudi foreign investments and their impact on the world economy the Saudi minister explained, "The aggregate of Gulf investments, including Saudi investments in the United States, Europe and Asia, are financial resources invested abroad until the local Saudi or Gulf economy is able to absorb them. As the local economic capacity increases, the investment of this surplus wealth abroad will decrease, as will the risks to which these investments are exposed. Such risks are purely business related--such as fluctuations in exchange rates and administrative and production costs--and political. But each country needs the economy of other countries. World economic interests are interdependent. One nation cannot gamble with its interests or risk harming its economic interests. The greatest country in the world, the United States, welcomes Gulf money. But the size of Gulf investments is small in comparison with the size of European investments in the United States.

Through its faith in its role as an oil-producing country the kingdom participates in all the international development organizations, such as the OPEC Fund, the Agricultural Development Fund, the Saudi Fund for Development, UN programs, and the international financial organization funds. Furthermore, large amounts of aid have been provided to African and Asian countries through the specialized development banks. The kingdom is also helping to finance Arab development projects through specialized funds and joint projects. This is being done in the belief that an Arab presence in international funds and organizations serves international development, helps the poor nations and promotes economic stability in international policy and the world economy.

On the matter of development of the Saudi economy and other matters which concern Saudi citizens, the Saudi minister of finance emphasized that national economic activity in the kingdom was in step with the country's plan and that the amount of internal transactions in the Saudi banks had multiplied. He said that the amount of assistance provided by these banks to

individuals had risen, particularly for agricultural projects. The reason that the country may give priority of implementation to certain projects over others is to hold down inflation by curbing government expenditures. Despite that, the ability to implement projects is increasing, and budgetary expenditures are multiplying. The nation is endeavoring to advance agricultural development in the kingdom until it surpasses industry.

Total individual deposits in Saudi banks amount to 70 billion riyals. Loans by the Agricultural Bank amounted to 2.53 billion riyals. It is hoped that all these facilities will strengthen the Saudi national economy and the private sector.

There are now 145,000 Saudi manufacturing and industrial firms. No nation is as concerned about developing its private sector as Saudi Arabia, which offers incentives to encourage individuals to work along with the nation's ambitious development plan. To the final question, "What preparations has the kingdom made for after the oil runs out?" the Saudi minister of finance answered, "For the hundredth time, I say that talk about running out of oil--meaning that the wells run dry or the world discovers another source of energy--is an oversimplification intended to cause a stir. But we can say that the oil may be subject to production cost increases or difficulty of extraction. Every nation is fully aware of its available raw materials and oil industries. In a sense, development of Saudi financial resources, whether in agriculture or industrialization, is entirely a matter of planning for the post-oil period."

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CSO: 4404/464

NEGOTIATIONS BETWEEN GOVERNMENT, TEACHERS UNIONS DEADLOCKED

Tunisia LE MAGHREB in French No 56, 15 May 82 p 37

[Text] The Administrative Committee of four secondary school teachers unions, which met on 2 May under the chairmanship of Mr Habib Achour, reviewed the results of the negotiations between the unions and the government and arrived at a momentous decision, an administrative strike.

The members of the Administrative Committee believed it was necessary to grant a moratorium to the Ministry of National Education until 10 May, after which time the official notice to strike will be sent and come into full force if tangible results are not achieved.

Meanwhile, the negotiations have come to a standstill. Two meetings took place on Saturday, 8 May and Monday, 10 May. They were a total let-down for the teachers. Therefore, the unions were called on to implement the decisions of the Administrative Committee.

However, there was still a possibility of reaching an agreement, since the statutory deadline extends to 20 May.

What is happening in the meantime?

The unions believe that the negotiations are necessary and are trying, in spite of everything, to resume the dialogue. They have no interest in finding themselves caught in a dilemma between the administration and the rank and file. After the 20 May deadline, the application of the fateful decision would be a reality. The unions, therefore, are interested in results attained before 20 May.

So as not to embarrass the leadership, the unions, as proof of their good will, stifled all propaganda regarding the matter. Even the rank and file were not informed of the precise terms of the decisions made by the Administrative Committee on 2 May--a fact which aroused some concern in certain unionist circles.

However, on 12 May a break in the situation occurred.

In fact, the unions and the government reached an agreement which appears to settle the dispute. According to its terms, a gross salary increase of from

20 to 80 dinars (according to the categories of teachers) was decided upon. It will be allocated over a period of 4 years, probably according to the following percentages:

1983.....	37.5 percent
1984.....	25.0 percent
1985.....	25.0 percent
1986.....	12.5 percent

Second decision: uniform work hours for teachers, distributed over a 3-year period.

Third decision: an agreement in principle over the possibility of promoting teachers whose salaries have yet to be determined.

The Administrative Committee, which was called to an emergency meeting on 13 May, had to decide whether to accept or reject these agreements. As agreed, the Administrative Committee must meet in this instance, since one of the recommendations made by the rank and file requires union representatives to consult the rank and file when an agreement with the government is involved.

At the time our magazine went to print, it was hardly possible to predict the outcome of this meeting. But according to certain unionist circles, the terms of the agreement do not appear to enjoy a general consensus.

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END